



WANASPORTS HOLDINGS LIMITED
(威倫堡控股有限公司*)
(Incorporated in the Cayman Islands with Limited Liability)

ANNUAL REPORT
2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Wanasports Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Corporate Information	2
Management Discussion and Analysis	3
Profiles of Directors and Senior Management	6
Directors' Report	8
Auditors' Report	15
Consolidated Profit and Loss Account	16
Consolidated Balance Sheet	17
Balance Sheet	18
Consolidated Statement of Changes in Equity	19
Consolidated Cash Flow Statement	20
Notes to the Accounts	21
Notice of the Annual General Meeting	44

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wan Chi Keung
Mr. Ian George Dallas
Mr. Chiang Wee Tiong
Ms. Luk Siu Hung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Vincent Yu
Mr. Terry Ian Butcher

COMPANY SECRETARY

Mr. Ngan Kam Sau, AHKICPA

QUALIFIED ACCOUNTANT

Mr. Ngan Kam Sau, AHKICPA

COMPLIANCE OFFICER

Mr. Wan Chi Keung

PRINCIPAL BANKERS

Standard Chartered Bank

AUDITORS

Yeung, Chan & Associates CPA Limited

AUDIT COMMITTEE

Mr. Terry Ian Butcher (*Chairman*)
Mr. Vincent Yu

AUTHORISED REPRESENTATIVES

Mr. Wan Chi Keung
Mr. Ngan Kam Sau

SHARE REGISTRAR AND TRANSFER OFFICE

Principal share registrar and transfer office

Hong Kong Registrars Limited
46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1901, Sunshine Plaza,
353 Lockhart Road,
Wanchai
Hong Kong

WEBSITE

<http://www.wanasports.net>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

During the year ended 31 March 2005, the turnover of the Group was approximately HK\$5,175,000 (2004: HK\$4,740,000). Loss before taxation for the same period amounted to HK\$2,571,000 (2004: HK\$5,765,000) and the loss attributable to shareholders was approximately HK\$2,571,000 (2004: HK\$5,765,000). Loss per share was approximately 0.51 HK cents (2004: 1.15 HK cents).

DIVIDEND

The Board does not recommend the payment of final dividends in respect of the year ended 31 March 2005.

BUSINESS REVIEW

During the year ended 31 March 2005, business environment continued to be challenging. The Group disposed of its main operating subsidiaries, Colonial Ventures Limited, Concepts Only (UK) Limited and Concepts Only Limited on 31 December 2004 as the subsidiaries had been operating at losses to the Group. The subsidiaries were sold back to a former executive director of the Group, Mr. Koh Ee Woon John at HK\$500,000 which is the same as the cost of acquisition of the subsidiaries. In an attempt to maintain the Group during hard times, on 4 February 2005 the board of directors of the Group agreed to waive their salaries and fees from 1 June 2004 to 31 March 2005.

SUSPENSION OF TRADING OF THE COMPANY'S SHARES

Trading of the Company's shares were suspended from 11:22 a.m. on 24 June 2003. The Company is working closely with its financial advisers and the Stock Exchange to achieve the resumption of trading in the shares of the Company at the soonest possible opportunity.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 March 2005, shareholders' interests in the Group amounted to approximately HK\$969,000. Current assets amounted to approximately HK\$892,000, of which approximately HK\$205,000 were cash and bank deposits. The Group had current liabilities of HK\$391,000, which mainly comprised of trade and other payables.

A summary of the liquidity position of the Group as at 31 March 2005 is as follows:

	31 March 2005 HK\$'000	31 March 2004 HK\$'000
Current assets	892	2,916
Current liabilities	391	2,005
Net current assets	501	911

The Group's gearing ratio was 0.4 as at 31 March 2005 (31 March 2004: 0.57). Gearing ratio is calculated as current liabilities to total equity.

FOREIGN EXCHANGE EXPOSURE

The Group employs financial instruments for the hedging of its foreign exchange exposure. The net profit and loss of such hedging during the period is minimal.

CAPITAL STRUCTURE

The capital structure of the Group remained the same throughout the year.

CHARGES ON GROUP ASSETS

There are no assets of the Group pledged to banks as security for general banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2005.

CAPITAL COMMITMENTS

The Group had no capital commitment for future material investment as at 31 March 2005.

MATERIAL ACQUISITIONS AND DISPOSALS

On 31 December 2004, the Group disposed of Colonial Ventures Limited and its wholly owned subsidiaries, Concepts Only Limited and Concepts Only (UK) Limited at a consideration of HK\$500,000.

The gain on the disposals of the said subsidiaries has been dealt with in the consolidated profit and loss account.

Save as disclosed above, there is no other material acquisition or disposal of subsidiaries for the year ended 31 March 2005.

EMPLOYEE INFORMATION

During the year ended 31 March 2005, employee costs, excluding Director's emoluments, totalled approximately HK\$1.4 million.

As at 31 March 2005, the Group had three full time employees. The Directors believe that the Group has maintained a good relationship with its employees.

Details of the Group's MPF schemes and the share option scheme are set out in the Directors' Report below.

FUTURE PLANS AND PROSPECTS

After disposal of the subsidiaries, the board of directors has been working hard on seeking strategic business partners. On 19 May 2005, the Stock Exchange's Listing Committee resolved to endorse the Division's proposal to proceed to the cancellation of the Company's listing pursuant to Rule 9.14 of the GEM Listing Rules. The Company has a period of six months for the submission of a viable resumption proposal, otherwise the Division will seek the approval of the Listing Committee to cancel the listing of the Company on 19 November 2005.

However, the board of directors is of the opinion that the possibility of cancellation of the Company's listing is remote for the following grounds:

- (i) the Group is considering entering into a sale agreement with a company which operates a chain of department stores in China for sale of the Group's products;
- (ii) an independent third party has responded favourably to a convertible bonds of HK\$6,000,000 to be issued by the Company. Consequently, the board of directors is confident that once substantial business operation has resumed, resumption of trading of the Company's shares can be anticipated.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wan Chi Keung, aged 49, is the founder, the Chairman and Chief Executive Officer of the Group. Mr. Wan founded the Group in July 1998. Mr. Wan has been responsible for formulating the overall business strategies and corporate development of the Group and overseeing the sales and marketing aspects since the commencement of its business operations. He has attained outstanding recognition in the sports industry. Since 1978, Mr. Wan has been active in the entertainment and movie industry, starring in various movies and television series. He is currently actively involved in the promotion of sports and is a well-respected sports commentator. Mr. Wan is a keen amateur golfer.

Ms. Luk Siu Hung, aged 33, is an executive Director of the Company. Ms. Luk joined the Group in October 2003 and is involved in the development of the Group's business in the PRC. Prior to joining the Group, Ms. Luk worked in a number of manufacturing and service-related businesses in the PRC and has accumulated solid experience in factory management and business development in the PRC.

Mr. Chiang Wee Tiong, aged 51, is an executive Director of the Company. Mr. Chiang joined the Group in February 2004 and is involved in the business development of the Group, with particular attention to developing the business of the Group internationally. Mr. Chiang was educated at the University of Manchester Institute of Science and Technology in the United Kingdom. Mr. Chiang also holds a Masters in Business Administration from the University of Liverpool in the United Kingdom. Mr. Chiang has over 20 years experience in international business, finance and fund management. He is currently the chairman of Murchison Holdings Limited, which is listed on the Australian Stock Exchange. He has also been an adviser to a number of foreign governments and a major airline and cargo carrier in the United States.

Mr. Ian George Dallas, aged 48, is an executive Director of the Company. Mr. Dallas has over 20 years experience of investment portfolios management and financial management. Prior to joining the Group in January 2005, Mr. Dallas worked for many multinational companies and was a Main Board Director of a listed company in Hong Kong. Mr. Dallas has been contributing a lot to the strategic planning and financial management of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Terry Ian Butcher, aged 46, is an independent non-executive Director of the Company. He joined the Group in November 2003 and is chairman of the audit committee. Mr. Butcher is a well-known football personality in England and Scotland. He is presently the manager for the Scottish Premier League football club, Motherwell. Mr. Butcher started his career with Ipswich Town Football Club, for which he played over 300 games, and helped them to win the UEFA Cup. Mr. Butcher then transferred to Glasgow Rangers Football Club, where he was captain for the first two of their nine consecutive Scottish League titles. He later joined Coventry City Football Club and Sunderland Athletic Football Club as a player/manager. During his playing career, Mr. Butcher gained 77 international caps playing for England. He played in three World Cup tournaments for England, and was captain of the England team for the 1990 World Cup, where England qualified for the semi-finals.

Mr. Vincent Yu, aged 63, is an independent non-executive Director of the Company. He joined the Group in February 2004 and is a member of the audit committee. Mr. Yu is a graduate of Leeds College of Commerce, Yorkshire, United Kingdom. He is qualified as a Chartered Administrator in Hong Kong and has worked as an executive officer specialising in secretarial, share registration and share portfolio management with the Jardine Matheson group of companies. Mr. Yu has since held similar appointments with a number of public companies in Hong Kong. He currently manages his own portfolio of investments.

SENIOR MANAGEMENT

Mr. Ngan Kam Sau, aged 37, is a qualified accountant in Hong Kong. He joined the Group in October 2004 as Financial Controller and Company Secretary. He is responsible for all the financial and secretarial matters of the Group. Mr. Ngan has extensive financial, accounting and secretarial experience prior to joining the Group.

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 15 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 16.

The Directors do not recommend the payment of a dividend.

RESERVES

The movements of the reserves of the Company and the Group during the year are set out in note 23 to the accounts and in the consolidated statement of changes in equity on page 19.

FIXED ASSETS

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the accounts.

FINANCIAL SUMMARY

The following table summarises the consolidated results, assets and liabilities of the Group for the last five years.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	5,175	4,740	9,482	13,319	–
Loss attributable to shareholders	(2,571)	(5,765)	(28,856)	(11,115)	(2,240)
Total assets	1,360	5,544	1,982	32,499	260
Total liabilities	(391)	(2,005)	(924)	(2,585)	(2,779)
Net assets/(liabilities)	969	3,539	1,058	29,914	(2,519)

The results for each of the two years ended 31 March 2002 have been prepared on a combined basis as if the Group structure at the time when the Company's shares were listed on the GEM had been in existence throughout the years concerned.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 21 to the accounts.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 20 November 2001 and will expire on 10 December 2011. Under the Scheme, the board of Directors of the Company may, at their discretion, invite any employees, directors of the Company and/or its subsidiaries, any consultants, suppliers or customers of the Group to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period up to the date of grant is not permitted to exceed 1% of the shares of the Company in issue at the date of grant, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option as may be determined by the Directors which shall not exceed ten years from the date of grant of the options. The exercise price is determined by the Directors of the Company, and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

As at 31 March 2005, no option has been granted or agreed to be granted by the Company under the Scheme.

DIRECTORS

The Directors for the year ended 31 March 2005 and up to the date of this report were:

Executive Directors

Mr. WAN Chi Keung

Ms. LUK Siu Hung

Mr. CHIANG Wee Tiong

Mr. DALLAS Ian George

(appointed on 20 January 2005)

Mr. KOH Ee Woon John

(resigned on 31 December 2004)

Independent non-executive Directors

Mr. BUTCHER Terry Ian

Mr. YU Vincent

Mr. CHAN Cher Boon

(appointed on 30 December 2004 and resigned on 23 June 2005)

Mr. KAN Wing Fai, Terry

(resigned on 6 May 2004)

Ms. Luk Siu Hung and Mr. Dallas Ian George shall retire, at the forthcoming annual general meeting in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election at the meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Wan Chi Keung, an executive Director, has entered into a service contract with the Company on 1 December 2001 for an initial term of two years from 1 December 2001 and which expired on 30 November 2003. This service contract shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice.

Mr. Koh Ee Woon John, an executive Director, has entered into a service contract with the Company on 14 June 2004 for an initial term of two years from 1 August 2003 and expiring on 31 July 2005. This service contract terminated upon Mr. Koh's resignation on 31 December 2004.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Other than Mr. Chan Cher Boon, each of the independent non-executive Directors has been appointed for an initial term of two years, which is renewed automatically for a further two years. During the term of his appointment, the independent non-executive Director's appointment may be terminated by one month's notice from the Company or the Director in question. There was no service contract between Mr. Chan Cher Boon and the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out on pages 6 and 7.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 28 to the accounts, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BOARD PRACTICES AND PROCEDURES

The Directors are of the opinion that the Company has, during the year complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES

As at 31 March 2005, the interests or short positions of the Directors in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the SFO)) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests or short positions which they are taken or deemed to have under such provisions of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange:

A. Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of Director	Type of interest	Number of shares	Percentage of issued share capital
Mr. Wan Chi Keung	Corporate (Note 1)	161,750,000	31.87%
Mr. Chiang Wee Tiong	Corporate (Note 2)	138,846,000	27.35%

Note 1: Mr. Wan Chi Keung held these shares through Charming Heart Limited, a company in which Mr. Wan Chi Keung holds 90% of its issued share capital.

Note 2: Mr. Chiang Wee Tiong held shares through the following companies:

Company name	Percentage control	Number of shares	Percentage of issued share capital
Even More Profits Limited	100%	124,990,000	24.62%
Soundtrade International Limited	100%	9,464,000	1.86%
Paulon Assets Limited	50%	4,392,000	0.8%
Quest Asset Management (Holdings) Limited	50%	4,392,000	0.8%

Mr. Chiang Wee Tiong became a director on 24 February 2004.

Save as disclosed above, none of the Directors had any interests in the share capital of the Company or its associated corporations. During the reporting period, there were no debt securities issued by the Group at any time.

B. Rights to acquire ordinary shares of HK\$0.01 each of the Company

The Company has adopted a Share Option Scheme (the "Scheme") on 20 November 2001. A summary of the principal terms of the Scheme is set out in the subsection headed "Share Option Scheme" in Appendix IV to the prospectus. As at 31 March 2005, no option has been granted or agreed to be granted by the Company under the Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND DEBENTURES *(Continued)***C. Short positions in associated corporations**

Save as disclosed above and in the section entitled "Interests and short positions of substantial shareholders", none of the Directors or their associates had, as at 31 March 2005, any interests or short positions in any shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Exchange.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as the share option scheme disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any of such right.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the persons or corporations (not being a Director or the chief executive of the Company) who have interests or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or which have otherwise been notified to the Company were as follows:

Name of shareholder	Number of shares	Percentage of issued share capital
Charming Heart Limited <i>(Note 1)</i>	161,750,000	31.87%
Even More Profits Limited <i>(Note 2)</i>	124,990,000	24.62%
Ms. Tan Gek Huang <i>(Note 3)</i>	138,846,000	27.35%

Note 1: Charming Heart Limited is a private company owned as to 90% by Mr. Wan Chi Keung and 10% by Ms. Yim Wai Ling, Catherina. Such interest of Mr. Wan, a director, has been disclosed in the section above entitled "Directors' and Chief Executive's Interests and Short Positions in Shares and Debentures".

Note 2: Even More Profits Limited is a private company wholly owned by Mr. Chiang Wee Tiong. Such interest of Mr. Chiang, a director, has been disclosed in the section above entitled "Directors' and Chief Executive's Interests and Short Positions in Shares and Debentures".

Note 3: Ms. Tan Gek Huang is the wife of Mr. Chiang Wee Tiong and is deemed to be a substantial shareholder by virtue of her spousal relationship with Mr. Chiang and her control of 50% of Paulon Assets Limited and Quest Asset Management (Holdings) Limited. Reference should be made to the details of the interests of Mr. Chiang disclosed in the section above entitled "Directors' and Chief Executive's Interests and Short Positions in Shares and Debentures".

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS

As at 31 March 2005, no other persons or corporations (other than those already disclosed above) have interests or short positions in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or which have otherwise been notified to the Company.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchase and sales for the year attributable to the Group's major suppliers and customers are as follows:–

Purchases

– the largest supplier	23%
– five largest suppliers combined	90%

Sales

– the largest customer	50%
– five largest customers combined	97%

None of the Directors, their respective associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had interest in the major suppliers or customers noted above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

On 31 December 2004, the Group disposed of its entire 100% interests in subsidiaries, Colonial Ventures Limited, Concepts Only (UK) Limited and Concepts Only Limited, to a former director, Mr. Koh Ee Woon John, for a consideration of HK\$500,000. The Group realised a net gain of approximately HK\$1,816,000 on these transactions.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the Listing Rules.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 March 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated.

MANDATORY PROVIDENT FUND SCHEME

The Group operates two mandatory provident fund schemes (the "MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all eligible employees of the Group in Hong Kong. The Group's contributions are 5% of the employee's relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the relevant MPF scheme if their relevant income is more than HK\$5,000 per month. The contributions to the MPF schemes are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF schemes are held separately from those of the Group in an independently administered fund.

AUDIT COMMITTEE

As required by Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties and comprises the three independent non-executive Directors, Mr. Terry Ian Butcher, Mr. Vincent Yu and Mr. Chan Cher Boon. Mr. Butcher is the chairman of this committee. The audit committee met four times during the year to review and supervise the Group's financial reporting process and internal control system.

NON COMPLIANCE WITH REQUIREMENTS FOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND AUDIT COMMITTEE

Following the resignation of Mr. Chan Cher Boon on 23 June 2005 as independent non-executive director and audit committee member, the Company has two independent non-executive Directors and two audit committee members only.

Pursuant to Rules 5.05, 5.08 and 5.28 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), the board of directors of every listed issuer must include at least three independent non-executive directors and three audit committee member.

The Company will commence its efforts immediately to seek a suitable candidate for appointment as a new independent non-executive director and audit committee member of the Company as soon as practicable. The Company aims to rely on referrals and personal introductions to seek a potential candidate for appointment. Further announcements will be made by the Company as and when appropriate.

AUDITORS

The former auditors, Messrs Graham H.Y. Chan & Co., resigned and Yeung, Chan & Associates CPA Limited were appointed as auditors of the Company. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs Yeung, Chan & Associates CPA Limited as auditors of the Company.

By order of the Board
Chiang Wee Tiong

Hong Kong, 23 June 2005

YC&A

Certified Public Accountants

楊陳會計師事務所有限公司
YEUNG, CHAN & ASSOCIATES CPA LIMITED

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245-251 Hennessy Road, Wanchai, HK
香港灣仔軒尼詩道 245-251 號
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E-mail 電子郵件: ychk@ychkcpa.com

AUDITORS' REPORT TO THE SHAREHOLDERS OF WANASPORTS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts set out on pages 16 to 43 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the accounts give a true and fair view of the state of the Company's and of the Group's affairs as at 31 March 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

YEUNG, CHAN & ASSOCIATES CPA LIMITED

Certified Public Accountants

Yeung Chi Hung

Practising Certificate number: P3476

Hong Kong, 23 June 2005.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Turnover	4	5,175	4,740
Cost of sales		(4,604)	(3,124)
Gross profit		571	1,616
Other revenues	4	508	13
Depreciation and amortisation		(592)	(625)
Loss on disposal of fixed assets		–	(310)
Provision for doubtful debts		(80)	(134)
Staff costs		(1,652)	(2,922)
Operating lease rentals in respect of land and buildings		(397)	(262)
Other operating costs		(1,184)	(2,906)
Operating loss	6	(2,826)	(5,530)
Finance costs	7	(1)	(1)
Share of loss of an associate		–	(56)
Gain/(loss) on disposal of subsidiaries	26, 28(a)	1,816	(63)
Impairment loss on exclusive cooperation right	14	(1,560)	–
Impairment loss on goodwill		–	(115)
Loss before taxation		(2,571)	(5,765)
Taxation	8	–	–
Loss attributable to shareholders	9	(2,571)	(5,765)
Loss per share			
Basic	11	0.51 cents	1.15 cents

CONSOLIDATED BALANCE SHEET

as at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Fixed assets	13	180	230
Club membership		288	288
Intangible assets	14	–	2,250
Interest in an associate	16	–	(140)
		468	2,628
Current assets			
Short-term investment	17	401	51
Trade receivables	18	–	1,047
Prepayments, deposits and other receivables		286	275
Amount due from a director of a subsidiary	28	–	99
Amount due from a related company	28	–	360
Tax recoverable		–	11
Cash and bank balances		205	1,073
		892	2,916
Current liabilities			
Trade payables	19	–	799
Other payables and accruals		391	1,173
Amount due to an associate		–	31
Obligations under finance leases	20	–	2
		391	2,005
Net current assets		501	911
Total assets less current liabilities		969	3,539
Capital and reserves			
Share capital	21	5,076	5,076
Reserves		(4,107)	(1,537)
Shareholders' funds		969	3,539

Chiang Wee Tiong
Director

Ian George Dallas
Director

BALANCE SHEET

as at 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Fixed assets	13	180	199
Intangible assets	14	–	2,080
Interests in subsidiaries	15	719	1,121
		899	3,400
Current assets			
Short-term investment		–	51
Amount due from a related company	28	–	360
Prepayments, deposits and other receivables		281	260
Cash and bank balances		205	1,017
		486	1,688
Current liabilities			
Other payable and accruals		387	862
Net current assets		99	826
Total assets less current liabilities		998	4,226
Capital and reserves			
Share capital	21	5,076	5,076
Reserves	23	(4,078)	(850)
Shareholders' funds		998	4,226

Chiang Wee Tiong
Director

Ian George Dallas
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2005

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2003	4,230	39,419	(42,539)	(52)	–	1,058
Placement of shares	846	7,614	–	–	–	8,460
Share issuing expenses	–	(191)	–	–	–	(191)
Disposal of subsidiaries	–	–	–	(22)	–	(22)
Exchange realignment	–	–	–	–	(1)	(1)
Loss for the year	–	–	(5,765)	–	–	(5,765)
At 31 March 2004	5,076	46,842	(48,304)	(74)	(1)	3,539
Disposal of subsidiaries	–	–	–	–	1	1
Loss for the year	–	–	(2,571)	–	–	(2,571)
At 31 March 2005	5,076	46,842	(50,875)	(74)	–	969

The merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired pursuant to a group reorganisation in preparation for the listing of the Company's shares in the GEM in 2001 and the nominal value of the Company's shares issued in exchange therefor.

Consolidated loss for the year attributable to shareholders is retained by:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
The Company and its subsidiaries	(2,571)	(5,709)
An associate	–	(56)
	(2,571)	(5,765)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2005

	Note	2005 HK\$'000	2004 HK\$'000
Net cash used in operating activities	24	(786)	(5,371)
Investing activities			
Purchase of fixed assets		(38)	(251)
Acquisition of intangible assets		–	(2,600)
Acquisition of short-term investment		(1,281)	(51)
Proceeds from disposal of short-term investment		845	–
Proceeds from disposal of fixed assets		–	3
Net cash paid for acquisition of subsidiaries	25	–	(46)
Net cash inflow/(outflow) for the disposal of subsidiaries	26	386	(72)
Interest received		8	13
Net cash used in investing activities		(80)	(3,004)
Financing activities			
Proceeds from new issue of shares		–	8,460
Issuing expenses of new shares		–	(191)
Repayments of capital element of finance leases		(2)	(6)
Net cash (use in)/generated from financing activities		(2)	8,263
Net decrease in cash and cash equivalents		(868)	(112)
Cash and cash equivalents at beginning of year		1,073	1,186
Effect of foreign exchange rate changes		–	(1)
Cash and cash equivalents at end of year		205	1,073
Analysis of balances of cash and cash equivalents			
Cash and bank balances		205	1,073

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 June 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited since 11 December 2001. The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 15 to the accounts.

2. IMPACT OF REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The SSAP 36 "Agriculture" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") becomes effective for accounting periods commencing on or after 1 January 2004.

The adoption of the revised SSAP has had no material impact on the accounts of the Group for the current and prior accounting periods.

3. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the HKICPA. The accounts have been prepared under the historical cost convention as modified with respect to the measurement of other investments as explained in the respective accounting policies below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The principal accounting policies adopted are as follows:

(a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group, directly or indirectly, controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital, or by way of having power to govern its financial and operating policies so that the Group obtains benefits from their activities.

The results of subsidiaries acquired or disposal of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Goodwill/negative goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of acquired subsidiaries and associates at the date of acquisition. In respect of subsidiaries:

- (i) for acquisitions before 1 January 2000, goodwill is eliminated against reserves and is reduced by impairment losses; and
- (ii) for acquisitions on or after 1 January 2000, goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

In respect of acquisitions of associates and jointly controlled entities, goodwill is amortised to the consolidated profit and loss account on a straight-line basis over its estimated useful life not exceeding 20 years. The cost of goodwill less any accumulated amortisation and any impairment losses is included in the carrying amount of the interest in associates or jointly controlled entities.

Negative goodwill represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separate net assets at the date of acquisition. Negative goodwill is accounted for as follows:

- (i) for acquisitions before 1 January 2000, negative goodwill is credited to a capital reserve; and
- (ii) for acquisitions on or after 1 January 2000, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Goodwill/negative goodwill *(Continued)*

In respect of any negative goodwill not yet recognised in the consolidated income statement:

- (i) for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as goodwill; and
- (ii) for associates and joint controlled entities, such negative goodwill is included in the carrying amount of the interests in associates or jointly controlled entities.

On disposal of a subsidiary, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt as a movement on Group reserves is included in the determination of the profit or loss on disposal.

(c) Interests in associates

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been amortised, less any identified impairment loss.

(d) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Revenue from the sale of services, such as consultancy services, corporate management and commission income, are recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:–

Leasehold improvements	20-33%
Furniture and equipment	20%
Office equipment	20%
Computer equipment	20%

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Fixed assets *(Continued)*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Club membership

Club membership is not transferable within two years from the date of admission as a member and is stated at cost less provision for impairment.

(g) Intangible asset

Intangible asset other than goodwill represents the cost for acquiring the exclusive cooperation right in a cooperation agreement. It is stated at cost less provision for impairment and amortised over five years.

(h) Short-term investments

Short-term investments are measured at fair value with unrealised gains and losses included in net profit or loss for the year.

(i) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(j) Assets under leases***(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first in first out basis, comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Taxation

Taxation charged to the profit and loss account comprises current and deferred tax.

Current tax is the expected tax payable on the taxable profit for the year. Individual companies within the Group provided for profits tax on the basis of the Company's profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes. The Group's liability for current tax is calculated using tax rate enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the accounts and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset only when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(o) Translation of foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the consolidated profit and loss account.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)***(o) Translation of foreign currencies** *(Continued)*

On consolidation, the assets and liabilities of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the average rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserves.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the average exchange rates for the year.

(p) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(q) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Fund, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.
- (iii) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(s) Segment reports

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

4. TURNOVER AND REVENUES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the design, sourcing and distribution of casual wear, sportswear and lifestyle garment products and accessories. Revenues recognised during the year are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover		
Sale of garment products and accessories	5,175	4,740
Other revenues		
Reimbursement of expenses from a former director	500	–
Interest income	8	13
	508	13
Total revenues	5,683	4,753

5. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segments is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

No segment information by business segment is presented as the Group primarily operates in a single business segment which is the design, sourcing and distribution of casual wear, sportswear and lifestyle garment products and accessories.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment asset and capital expenditures are based on the geographical location of the assets.

The following is the analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
United Kingdom	5,030	3,255
Hong Kong	145	1,045
United States of America	–	440
	5,175	4,740

5. SEGMENT INFORMATION (Continued)

The following is an analysis of the carrying amount of the segment assets by geographical location of assets.

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Hong Kong	1,360	4,981
United Kingdom	–	554
United States of America	–	9
	1,360	5,544

6. OPERATING LOSS

The operating loss is stated after charging/(crediting) the following:–

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Auditors' remuneration	124	157
Amortisation of intangible assets	520	520
Depreciation of owned fixed assets	72	62
Depreciation of fixed assets held under finance leases	–	1
Loss/(gain) on disposal of other investments	86	(10)
Staff costs (excluding directors' remuneration)		
– basic salaries and allowance	1,362	1,664
– retirement scheme contributions	67	45
Net exchange gain	(8)	(1)

7. FINANCE COSTS

	2005 <i>HK\$'000</i>	Group 2004 <i>HK\$'000</i>
Interest element of finance leases	1	1

8. TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit for the year (2004: Nil).

As at 31 March 2005, the Group had unrecognised deferred tax asset of approximately HK\$802,000 (2004: approximately HK\$97,000) which represents the tax effect of unused tax losses. Such deferred tax asset was not recognised in the accounts as it is uncertain whether future taxable profits will be available against which deductible temporary differences can be utilised.

As at 31 March 2005 and 2004, the Company had no material unprovided deferred tax liabilities.

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of approximately HK\$3,228,000 (2004: approximately HK\$3,757,000).

10. DIVIDENDS

No dividends had been paid or declared by the Company during the year (2004: Nil).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$2,571,000 (2004: HK\$5,765,000 loss) and the weighted average number of 507,600,000 (2004: 500,896,721) shares in issue during the year.

Diluted loss per share for the year has not been presented because there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2005 and 2004.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emolument paid and payable to directors during the year are as follows:–

	2005 HK\$'000	2004 HK\$'000
Fees	(5)	338
Other emoluments:		
Basic salaries, allowances and other benefit in kind	193	849
Retirement scheme contributions	35	26
	223	1,213

Directors' fees disclosed above were paid to independent non-executive directors.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) (Continued)

One director resigned during the year and had received total emoluments of approximately HK\$116,000 for the year ended 31 March 2005 and HK\$428,000 for the year ended 31 March 2004. Two directors resigned during previous year and had received total emoluments of approximately HK\$67,000 and HK\$129,000 respectively for the year ended 31 March 2004. One director was appointed at the end of the financial year and received no emoluments. The remaining three executive directors received of approximately HK\$41,000, HK\$38,000 and HK\$24,000 respectively for the year ended 31 March 2005 and HK\$16,000, HK\$74,000 and HK\$161,000 respectively for the year ended 31 March 2004.

An independent non-executive director resigned during the year and had received total emoluments of approximately HK\$15,000 for the year ended 31 March 2005 and HK\$161,000 for the year ended 31 March 2004. An independent non-executive director resigned during previous year and received emoluments of approximately HK\$108,000 for the year ended 31 March 2004. An independent non-executive director was appointed at the end of the financial year and received no emoluments. One independent non-executive director agreed to waive his fee for the years ended 31 March 2005 and 2004. A remaining independent non-executive directors received emoluments of approximately HK\$40,000 for the year ended 31 March 2005 and HK\$18,000 for the year ended 31 March 2004 and as a result an emoluments of HK\$51,000 credited during the year.

On 4 February 2005, the board of directors of the Group agreed to waive their salaries and fees from 1 June 2004 to 31 March 2005. An independent non-executive directors agreed to waive the fee in respect of the years ended 31 March 2005 and 2004.

- (b) The five highest paid individuals during the year included nil (2004: four) directors, details of whose emoluments are set out above. The emoluments payable to the remaining five (2004: one) individuals are as follows:

	2005	2004
	HK\$'000	HK\$'000
Basic salaries and allowances	880	194
Retirement scheme contributions	36	6
	916	200

The emoluments of the five highest paid individuals fell within the following band:

	Number of individuals	
	2005	2004
Nil to HK\$1,000,000	5	5

During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

13. FIXED ASSETS

Group	Leasehold improvements <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 31 March 2004	41	23	74	198	336
Additions	–	–	–	38	38
Disposal of subsidiaries	–	(2)	(38)	(47)	(87)
At 31 March 2005	41	21	36	189	287
Accumulated depreciation					
At 31 March 2004	8	4	29	65	106
Charge for the year	8	12	14	38	72
Disposal of subsidiaries	–	(8)	(28)	(35)	(71)
At 31 March 2005	16	8	15	68	107
Net book value					
At 31 March 2005	25	13	21	121	180
At 31 March 2004	33	19	45	133	230

As at 31 March 2005, there were no fixed assets held under finance leases. As at 31 March 2004, the net book value of fixed assets held by the Group under finance leases included in the total amounts of office equipment amounted to approximately HK\$9,000.

Company	Leasehold improvements <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 31 March 2004	41	21	36	151	249
Additions	–	–	–	38	38
At 31 March 2005	41	21	36	189	287
Accumulated depreciation					
At 31 March 2004	8	4	8	30	50
Charge for the year	8	4	7	38	57
At 31 March 2005	16	8	15	68	107
Net book value					
At 31 March 2005	25	13	21	121	180
At 31 March 2004	33	17	28	121	199

14. INTANGIBLE ASSETS

Group	Goodwill <i>HK\$'000</i>	Exclusive cooperation right <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 31 March 2004	327	2,600	2,927
Disposal of subsidiaries	(327)	–	(327)
At 31 March 2005	–	2,600	2,600
		<i>(note (i))</i>	
Accumulated amortisation and impairment loss			
At 31 March 2004	157	520	677
Charge for the year	–	520	520
Impairment loss	–	1,560	1,560
Disposal of subsidiaries	(157)	–	(157)
At 31 March 2005	–	2,600	2,600
Net book value			
At 31 March 2005	–	–	–
At 31 March 2004	170	2,080	2,250

14. INTANGIBLE ASSETS (Continued)

Company	Exclusive cooperation right HK\$'000
Cost	
At 31 March 2005 and 2004	2,600
	(note (i))
Accumulated amortisation and impairment loss	
At 31 March 2004	520
Charge for the year	520
Impairment loss (note (ii))	1,560
At 31 March 2005	2,600
Net book value	
At 31 March 2005	–
At 31 March 2004	2,080

Note:

- (i) There is a cooperation agreement ("the Agreement") entered between The Stellar Group Limited ("Stellar"), a company incorporated in England and Quest Capital Markets Limited ("QCM"), a company incorporated in Hong Kong on 19 December 2002 for the cooperation of the two companies on an exclusive basis in the management of sportspeople and the planning and holding of sporting events in the PRC. On 17 April 2003, QCM and the Company entered into an agreement whereby QCM agreed to sign and procure Stellar to sign a novation agreement for the transfer of the exclusive co-operation right with Stellar to the Company at a consideration of HK\$2.6 million. On 7 May 2003, the Company entered into a deed of novation and amendment with QCM and Stellar, pursuant to which the Company assumes all the rights, liabilities and obligations of QCM under the Agreement.
- (ii) The directors have reviewed the carrying value of the intangible assets over the Group's existing business circumstances and made a full provision for impairment loss in accordance with the Group's accounting policy.

15. INTERESTS IN SUBSIDIARIES – COMPANY

	2005 HK\$'000	2004 HK\$'000
Investment at cost – unlisted shares (note a)	117	607
Amounts due from subsidiaries (note b)	602	514
	719	1,121

15. INTERESTS IN SUBSIDIARIES – COMPANY (Continued)

(a) The following is a list of the principal subsidiaries of the Company as at 31 March 2005:

Company	Place and date of incorporation	Issued and fully paid up capital	Attributable equity interest	Principal activities and place of operation
Shares held directly:-				
Wanasports Group Limited	British Virgin Islands 12 June 2001	Ordinary US\$10,000	100%	Investment holding in Hong Kong
QuestTechnic Holdings Limited	Hong Kong 17 December 2003	Ordinary HK\$10,000	100%	Dormant
Shares held indirectly:-				
Loyalty Enterprise Limited	Hong Kong 4 February 1998	Ordinary HK\$100	100%	Investment holding in Hong Kong
Full Class Management Limited	British Virgin Islands 22 February 2001	Ordinary US\$1	100%	Investment holding in Hong Kong
Wanasports Holdings (B.V.I.) Limited	British Virgin Islands 18 May 2001	Ordinary US\$10,000	100%	Investment holding in Hong Kong
Wanasports Management Services Limited	Hong Kong 30 May 2001	Ordinary HK\$2	100%	Holding of a club membership in Hong Kong
Ewear Industrial Limited	British Virgin Islands 25 December 2000	Ordinary US\$1	100%	Investment holding in Hong Kong
Itrade Resources Limited	British Virgin Islands 28 December 2000	Ordinary US\$1	100%	Investment holding in Hong Kong
Wanagolf Company Limited	Hong Kong 30 May 2001	Ordinary HK\$2	100%	Dormant
Wanasports E-Commerce Company Limited	Hong Kong 23 May 2001	Ordinary HK\$2	100%	Dormant

During the year, the Group disposed of its main operating subsidiary Concepts Only Limited principally engaged in the business of fashion design, sourcing and distribution of casual wear, sportswear and lifestyle garment products and accessories in Hong Kong, Colonial Ventures Limited, an investment holding company incorporated in British Virgin Islands and Concepts Only (UK) Limited, a dormant subsidiary incorporated in United Kingdom.

(b) Amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. INTEREST IN AN ASSOCIATE – GROUP

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Share of net liabilities	–	(140)

Company	Place and date of incorporation	Issued and fully paid up capital	Attributable equity interest	Principal activities and place of operation
CFL Concepts Limited	Hong Kong	Ordinary HK\$100,000	30%	General trading in Hong Kong

The above associate was disposed during the year.

17. SHORT-TERM INVESTMENT – GROUP

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Equity, listed in Hong Kong, at fair value	401	51

18. TRADE RECEIVABLES – GROUP

The Group normally grants credit period ranging from 30 days to 60 days to its trade debtors. As at 31 March 2005, the ageing analysis of trade receivable was as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0-3 months	–	828
4-6 months	–	352
	–	1,180
Less: provision for doubtful debts	–	(133)
	–	1,047

19. TRADE PAYABLES – GROUP

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0-3 months	–	431
4-6 months	–	368
	–	799

20. OBLIGATION UNDER FINANCE LEASES

	Minimum lease payment	
	2005 HK\$'000	2004 HK\$'000
Amount payable		
Within one year	–	3
Future finance charges	–	(1)
Present value of lease obligations	–	2

21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
As at 31 March 2005 and 2004	50,000,000,000	500,000
<i>Issued and fully paid:</i>		
As at 31 March 2003	423,000,000	4,230
Placing of new shares	84,600,000	846
As at 31 March 2005 and 2004	507,600,000	5,076

On 30 April 2003, an aggregate of 84,600,000 new ordinary shares of the Company at a price of HK\$0.10 (the "Price") each were issued to Even More Profits Limited ("EMP") pursuant to a subscription agreement entered into by the Company and EMP on 17 April 2003. These shares were issued upon the completion of the placing of an aggregate of 84,600,000 existing ordinary shares of the Company registered in the name of EMP to not less than six places by CM-CCS Securities Limited ("CM-CCS") as placing agent pursuant to a placing agreement entered into by EMP and CM-CCS on 17 April 2003. The Price represents a discount of about 4% to the closing price of HK\$0.104 per share as quoted on the Stock Exchange on 16 April 2003, being the last trading day prior to the suspension of trading in the shares pending the issue of the announcement and a premium of about 21% to the average closing price of about HK\$0.0826 per share as quoted on the Stock Exchange for the ten consecutive trading days ending on 16 April 2003.

The net proceeds raised of approximately HK\$8,260,000 by way of issuing 84,600,000 new shares through this top-up placement were used as to HK\$2.6 million applied in paying the consideration under a novation agreement dated 17 April 2003 between Quest Capital Markets Limited and the Company and the balance of HK\$5,660,000 as general working capital for the Group.

22. EMPLOYEE BENEFITS

The Group operates two Mandatory Provident Fund schemes ("the MPF schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF schemes are defined contribution retirement schemes administered by independent trustees. Under the MPF schemes, the employer and its employees are each required to make contributions to the schemes at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the schemes vest immediately. Contributions totaling HK\$8,000 (2004: HK\$30,000) were payable to the MPF Schemes at the year end and are included in other payables.

The Company has adopted a share option scheme (the "Scheme") on 20 November 2001 to grant options to selected persons as incentives or rewards for their contribution to the Group. Under the terms of the Scheme, the directors may, at their discretion, invite any employees, executive directors of the Group or any consultants, suppliers or customers of the Group to take up options to subscribe for shares of Company at an exercise price determined by the board of directors and shall not be less than the highest of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the shares on the date of grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period up to the date of grant is not permitted to exceed 1% of the shares of the Company in issue at the date of grant, without prior approval from the Company's shareholders. Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option as may be determined by the directors which shall not exceed ten years from the date of grant of the options.

No share options were granted under the Scheme since its adoption.

23. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 19 of the accounts.

Company	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2003	16,505	(21,021)	(4,516)
Placing of shares	7,614	–	7,614
Share issuing expenses	(191)	–	(191)
Loss for the year	–	(3,757)	(3,757)
At 31 March 2004	23,928	(24,778)	(850)
Loss for the year	–	(3,228)	(3,228)
At 31 March 2005	23,928	(28,006)	(4,078)

23. RESERVES (Continued)

- (i) Under section 34 of the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company and no distribution may be paid to shareholders out of the share premium unless, immediately following the date on which the distribution of dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.
- (ii) As at 31 March 2005, the Company had no reserve available for distribution.

24. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH USED IN OPERATING ACTIVITIES

	2005 HK\$'000	2004 HK\$'000
Loss before taxation	(2,571)	(5,765)
Adjustments for:		
Interest element of finance leases	1	1
Interest income	(8)	(13)
Depreciation of owned fixed assets	72	62
Depreciation of fixed assets held under finance leases	–	1
Amortisation of intangible assets	520	562
Impairment loss on goodwill	–	115
Impairment loss on exclusive cooperation right	1,560	–
(Gain)/loss on disposal of subsidiaries	(1,816)	63
Loss on trading of short-term investments	86	–
Provision for bad debts	80	–
Share of loss of an associate	–	56
Loss on disposal of fixed assets	–	310
Operating loss before working capital changes	(2,076)	(4,608)
Decrease/(increase) in trade receivables and other receivables, including amounts due from a director of a subsidiary and a related company	1,059	(257)
Increase in prepayment and deposits	(15)	(185)
Decrease/(increase) in trade payables, other payables, accrued charges and amount due to a director	281	(340)
(Increase)/decrease in amount due to an associate	(31)	49
Net cash used in operations	(782)	(5,341)
Interest element of finance leases	(1)	(1)
Hong Kong profits tax paid	(3)	(29)
Net cash used in operating activities	(786)	(5,371)

25. ACQUISITION OF SUBSIDIARIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash and bank balances	–	454
Fixed assets	–	48
Interest in an associate	–	(84)
Amount due from an associate	–	18
Trade and other receivables	–	1,136
Prepayment	–	10
Trade and other payables	–	(1,388)
Provision for taxation	–	(19)
Amount due from a director	–	5
Obligations under finance leases	–	(7)
	–	173
Goodwill	–	327
Total consideration	–	500

The analysis of net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash consideration paid	–	(500)
Cash and bank balances acquired	–	454
Net outflow of cash and cash equivalents	–	(46)

The subsidiaries acquired in 2004 contributed approximately HK\$4,740,000 to the Group's turnover, and HK\$318,000 to the Group's operating loss.

26. DISPOSAL OF SUBSIDIARIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fixed assets	16	13
Cash and bank balances	114	172
Trade and other receivables	367	–
Prepayments	4	–
Tax recoverable	14	–
Trade and other payables	(2,002)	–
Net (liabilities)/assets	(1,487)	185
Goodwill	170	–
Exchange reserve	1	–
Merger reserve	–	(22)
Gain/(loss) on disposal	1,816	(63)
Total consideration	500	100

The analysis of net inflow/(outflow) of cash and cash equivalents in respect of the disposal is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash consideration received	500	100
Cash and bank balances disposed of	(114)	(172)
Net inflow/(outflow) of cash and cash equivalents	386	(72)

The subsidiaries disposed in 2005 contributed approximately HK\$5,175,000 to the Group's turnover, and approximately HK\$965,000 to the Group's operating loss.

27. COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and building, falling due as follows:–

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Not later than one year	90	395
Later than one year and not later than five years	–	98
	90	493

28. RELATED PARTY TRANSACTIONS

Group	2005 HK\$'000	2004 <i>HK\$'000</i>
During the year		
Gain on disposal of subsidiaries to a former director (<i>note a</i>)	1,816	–
Reimbursement of expenses from a former director (<i>note b</i>)	500	–
Consultancy fee income received from an associate	–	350
At the balance sheet date		
Amount due from		
Katherine Ellanor Padget-Koh (<i>note c</i>)	–	99
Quest Securities Limited (<i>note d</i>)	–	360

Company	2005 HK\$'000	2004 <i>HK\$'000</i>
At the balance sheet date		
Amount due from Quest Securities Limited (<i>note d</i>)	–	360

Notes:

- (a) On 31 December 2004, the Group disposed of its entire 100% interests in subsidiaries, Colonial Ventures Limited, Concepts Only (UK) Limited and Concepts Only Limited, to a former director, Mr. Koh Ee Woon John, for a consideration of HK\$500,000. The Group realised a net gain of approximately HK\$1,816,000 on these transactions.
- (b) The amount represented the reimbursement of personal expenses incurred by the former director, Mr. Koh Ee Woon John.
- (c) The amount in 2004 represented expenses paid on behalf of a director of a subsidiary of the Company, Mrs. Katherine Ellanor Padget-Koh. The amount was mainly incurred prior to the acquisition of the subsidiary by the Company. Mrs. Koh is also the wife of Mr. Koh Ee Woon John, an executive director of the Company. The amount was subsequently settled on 16 June 2004.
- (d) The amount in 2004 represented the proceeds receivable from Quest Securities Limited, acting as financial intermediary, for the disposal by the Company of an investment in debt securities. Mr. Chiang Wee Tiong, a director of the Company, has a beneficial interest in the Quest Securities Limited. The amount was subsequently settled on 4 June 2004.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23 June 2005.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Wanasports Holdings Limited (the "Company") will be held at Meeting Room 4, 46/F, Hopewell Centre, 183 Queen's Road East, WanChai, Hong Kong on 28 July 2005 at 10.30 a.m. for the following purposes:-

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and auditors for the year ended 31 March 2005.
2. To re-elect the following retiring Directors in accordance with Article 99 of the Company's Articles of Association and to authorise the board of Directors to fix their remuneration.

Ms. Luk Siu Hung, aged 33, is an executive Director of the Company. Ms. Luk joined the Group in October 2003 and is involved in the development of the Group's business in the PRC. Prior to joining the Group, Ms. Luk worked in a number of manufacturing and service-related businesses in the PRC and has accumulated solid experience in factory management and business development in the PRC. Ms. Luk has no service contract with the Company and receives no emoluments for her service to the Company.

Mr. Ian George Dallas, aged 48, is an executive Director of the Company and a director of certain subsidiaries, namely, Wanasports Management Services Limited, Wanagolf Company Limited, Loyalty Enterprise Limited and Wanasports E-Commerce Company Limited. Mr. Dallas has over 20 years experience of investment portfolios management and financial management. Prior to joining the Group in January 2005, Mr. Dallas worked for many multinational companies and was a Main Board Director of a listed company in Hong Kong. Mr. Dallas has been contributing a lot to the strategic planning and financial management of the Company. Mr. Dallas has a 1 year service contract with the Company which will expire on 31 March 2006 with a monthly fixed salary of HK\$30,000, a 1 month year end double pay and discretionary bonus (if any).

All of the above retiring directors have no relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company, and have no interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

3. To re-appoint the auditors of the Company and to authorise the board of Directors to fix their remuneration.
4. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:-

"THAT:-

- (A) subject to paragraph (C) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules"), the exercise by the Directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of options granted under any of the Company's share option schemes or any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the articles of association of the Company from time to time) additional shares in the share capital of the Company and to make or grant any offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

- (B) the approval in paragraph (A) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant any offers, agreements and options which would or might require the exercise of such powers either during or after the end of the Relevant Period (as hereinafter defined);
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (A) above shall not exceed 20% of the aggregate nominal value of the issued share capital of the Company as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (D) for the purposes of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:-
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting;

"rights issue" means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the laws of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities."

5. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:-

"THAT:-

- (A) subject to paragraph (B) of this resolution, the exercise by the Directors during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) of all the powers of the Company to repurchase the issued shares of the Company on the Stock Exchange or any other stock exchange on which shares in the capital of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved; and

Notice of the Annual General Meeting

(B) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (A) of this resolution during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company as at the date of the passing of this resolution, and the said approval shall be limited accordingly.”

6. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:–

“**THAT**, conditional upon the passing of resolutions Nos. 4 and 5 (as set out in the Notice of this Meeting), the unconditional general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to resolution No. 4 (as set out in the Notice of this Meeting) be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such unconditional general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 5 (as set out in the Notice of this Meeting), provided that such extended amount shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company as at the date of passing this resolution.”

By order of the board
Chiang Wee Tiong
Director

Hong Kong, 27 June 2005

As at the date hereof, the Company has the following Directors:

Executive Directors

Mr. Wan Chi Keung
Mr. Chiang Wee Tiong
Ms. Luk Siu Hung
Mr. Ian George Dallas

Independent non-executive Directors

Mr. Terry Ian Butcher
Mr. Vincent Yu